CRA Tax Breaks: 2 Perfect Buys

Description

By now, I'm sure you've heard about the Canada Revenue Agency (CRA) extending the filing deadline. If not, you hopefully got your return in a lot earlier than many other Canadians. For those of you who still need to file for the new June 1st deadline, that date is now fast approaching.

This year has been a weird one, to say the least. Luckily, the CRA has a number of tax breaks available to help Canadians get on their feet again. A healthy economy comes down to the individual, so any way the government can help it likely will to get Canadians spending again.

With that in mind, here are two tax breaks and some stocks to consider from the CRA for Canadians to claim before June 1.

Basic personal amount

In December 2019, the CRA decided to pause a motion to increase the basic personal amount (BPA) for Canadians to $15,000 by 2023. This amendment to the *Income Tax Act*. This non-refundable tax credit can by claimed by most Canadians who have taxable income below the BPA. As of this year, the BPA is $13,229 for all Canadians with a net income under $150,473. This tax break should affect about 20 million Canadians, with annual tax savings of $300.

RRSP

Your Registered Retirement Savings Plan (RRSP) is another way to reduce your taxes with the CRA. Any income that you make through your RRSP is not taxable as long as you don't make any withdrawals before you retire. Contributions can be made until you're 71 and can be up to 18% of your income earned during the last year, or up to a limit of $26,500 for 2019, whichever is the lower of the two.

Two investment choices

With that extra cash from the CRA, the obvious choice to pick right now is the banking industry. On the surface, the banking industry might seem like it's a losing situation. But you have to think long term when it comes to these stocks. Investors should be using their tax breaks to buy up stocks that offer a strong historical performance, solid future opportunities, and a steady dividend.

That makes the obvious choices **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) as the two perfect options. Both Royal Bank and TD Bank are the two largest of the Big Six banks based on market capitalization. These banks offer investors similar opportunities to make a killing over the next few decades — especially if you continue to save money from the CRA.

Royal Bank and TD Bank have both expanded internationally to become top performers on a global scale. This diversification, especially in the United States, means that even when the Canadian economy is doing poorly, these banks should rebound quickly. These banks have also expanded into the wealth and commercial management sectors. This is a highly lucrative area that will provides years and years of cash.

Finally, both stocks have performed admirably over the last decade. Since the Great Recession, Royal Bank shares are up 173%, with TD Bank up 205% as of writing. That doesn't include the gains made before the current market crash. Both stocks also offer up a strong dividend yield, with a steady history of dividend increases. Right now, you can lock in a dividend yield of 5.2% with Royal Bank and 5.72% with TD Bank.

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